

Grupo Argos

ISIN CODE: COT09PA00043

Overall score 41/100

Sector: Building Materials
Emerging Market
Companies in sector panel: 23

Information rate: 50% (Sector average: 60%)
Company cooperation level: Not responsive *

General information

Grupo Argos SA (Argos) is an investment holding Company with interest in infrastructure. The Company operates through the following segments; Cement, Energy, Real Estate, Portfolio, Concessions, and Coal. The Company was founded on February 27, 1934 and is headquartered in Medellin, Colombia.

Main Economic Segment**	Turnover 2016
Cement	60.0 %
Energy	25.0 %
Portfolio	6.4 %

CORPORATE GOVERNANCE				
	2013	2013	2015	2017
Score				41
Allegations				No
Rating				=
Risk management				Limited

Key issues

Corporate governance is critical to ensuring that a well functioning system of checks and balances protects the interests of all of the company's stakeholders. The effectiveness of the Board of Directors is a key issue to be addressed: this can be gleaned from information on Board composition (independence and competencies) and its way of functioning (regularity of Board meetings, evaluation of performance). Other important corporate governance factors include the effectiveness of the Audit and Internal control system, the protection of Shareholders Rights and the establishment of Executive Remunerations which align executives' and company's interests.

Company performance

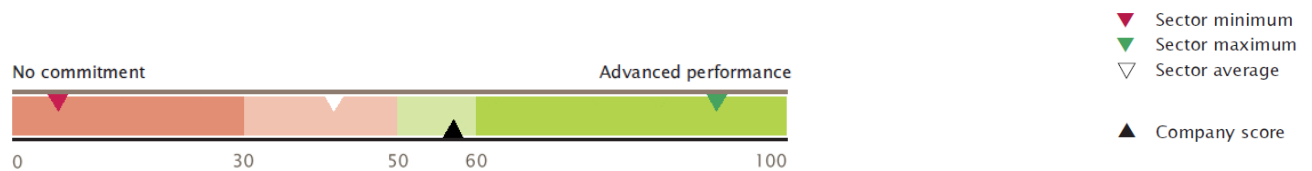
- The Company's performance in the Corporate Governance domain is limited and has remained stable since last review.
- More than half of the Board is independent, and board members are elected at least every three years but these elections are staggered. The Company's internal controls do not appear to cover CSR risks. In terms of shareholders' rights, no restrictions have been identified. Argos seems not to be transparent on the remuneration paid to executives.
- The Company's performance is in line with its peers

Corporate Governance

Score : 41

CGV1.1 Board of Directors

(score: 57, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

A specific committee is in place, but at least one executive is part of it, which might raise concerns.
Two of the 4-member Nomination and Remuneration Committee is considered independent. Of note, the Company's Administrative and Human Resources Vice President is part of the Committee apart from the Board members.

Independence of the Board Chairman The roles of Chairman and CEO are separated, and the Chairman is considered independent.

Responsibility allocated over CSR issues There is a CSR committee that is part of the Board.
The Sustainability Committee is composed of three members of which two are Independent Members.

Share of independent shareholder-elected Board members *In accordance with standards advocated by Vigeo, the Board is more than 50% independent. Five members of the 7-member Board are considered independent (71.4%).*

Diversity of the skills and backgrounds of the Board The Board of Directors diversity appears to be partial:

- At least 30% of directors are women*
- At least 40% of directors are women*
- Employee representative(s) sitting on the Board*
- Board members with demonstrated professional experience in the company's sector of activities*
- Board members with demonstrated expertise on CSR issues*

Training and expertise provided to board members Training is provided through regular updates, but it does not cover CSR issues.
The new Directors are provided with an induction programme, which includes the following topics:

- *Organizational chart of the company and functions of each area*
- *Bylaws*
- *Good Governance Code, with emphasis on their duties and responsibilities as Directors*
- *Composition and operation of the Board Support Committees*
- *Action plan of the Board of Directors*
- *Corporate strategy*
- *Specific characteristics of the sectors in which the company and its subsidiaries conduct their business*
- *Risks associated to the activities undertaken by the company and its subsidiaries.*

In addition, the Management of the company designs and implements a training plan for Directors to keep them up-to-date regarding the company and its subsidiaries, their businesses and the risks associated with such businesses.

Regular election of Board members *Board members are elected at least every three years but these elections are staggered. Board members are eligible for re-election following 3-year terms and they may be indefinitely reelected. Directors may be freely reelected and removed by the General Assembly even before expiration of their commission.*

Evaluation of Board's functioning and performance Performance is evaluated regularly by a third party.
Each individual Director is evaluated on a regular basis in the middle or at the end of the period for which they were elected. The evaluation is conducted by an independent firm and a summary of the conclusions of this evaluation is submitted to the General Assembly of Shareholders at the meeting in which the election of the Board takes place.

Review of CSR issues at Board meeting The formal CSR reporting has been signed by CEO/Chairman/Board, but there is no evidence that relevant CSR issues are reviewed at Board meetings.

- Business ethics*
- Human capital*
- Responsible customers relations*
- Climate change*

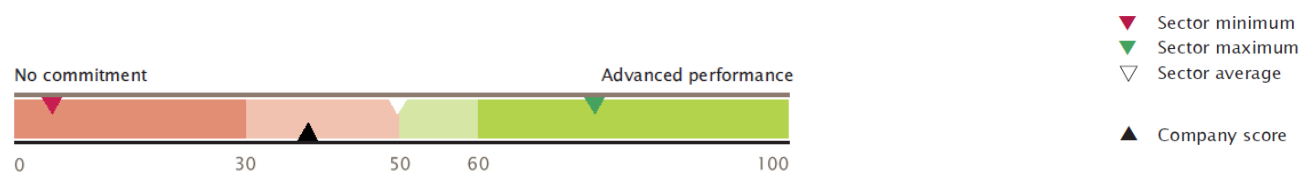
Regularity of and attendance at Board meetings

Regular meetings are held, and attendance rates are above 90%
17 Board meetings were held during fiscal year 2016 with an attendance rate of 100%.

Name of Board member	Role	Executive	Non executive	Employee representative	Nomination	Audit	Remuneration	Former executive	> 9 years on Board	Stock options	Paid > 1/2 executive salary	Represent > 3% company's shares	Other	Independence
Rosario Córdoba	Chairman, Chair of Audit Committee		X		X	X	X							X
David Bojaninni			X		X		X		X				Considered as non-independent by the company	
Carlos Ignacio			X										Considered as non-independent by the company	
Mario Scarpetta			X											X
Ana Cristina Arango			X			X								X
Armando Montenegro			X			X								X
Jorge Uribe	Chair of nomination and remuneration committee		X		X		X							X

CGV2.1 Audit & Internal Controls

(score: 38, weight: 2)



[LISTED COMPANIES] Existence and independence of Audit Committee

A specific committee is in place, but at least one executive is part of it, which might raise concerns.
Three of the 6-member Audit Committee is considered independent. Of note, the Company's CEO, Vice president of Corporate Finance, and an internal auditor are part of the committee apart from the Board members.

Skills and backgrounds of Audit Committee members

Members appear to have financial and/or audit experience AND relevant operational experience.
Members appear to have financial and audit experience and relevant operational experience.

Operational and CSR risks covered by the company's internal controls system

The system covers the standard issues related to financial, operational, and legal risks.

- Corruption
- Community Issues
- Employee Safety
- Climate Change
- Environmental and/or social standards in the supply chain

Role of the Audit Committee in overseeing internal and external controls

The Audit Committee has a comprehensive role that includes:

- Oversee internal audit and internal controls
- Review accounting policies and be responsible for updates
- Nominate the statutory auditor
- Oversee the work of the external auditor
- Approve the type of audit and non-audit services provided and fees paid to the external auditor

Management of the CSR risks

Although the company has set up some measures, it has not gone beyond that to integrate CSR risks in its overall strategy.

- Balanced scorecard
- Risk-related training
- Monitoring of key risk indicators
- Reporting system to the Board
- Risk mapping/materiality assessment
- A Board Risk Committee with no executive part of it

Independence of the firm's external auditors

Information obtained from company and public sources regarding the independence of the firm's external auditors is insufficient.

Inclusion of CSR issues in the company's reporting

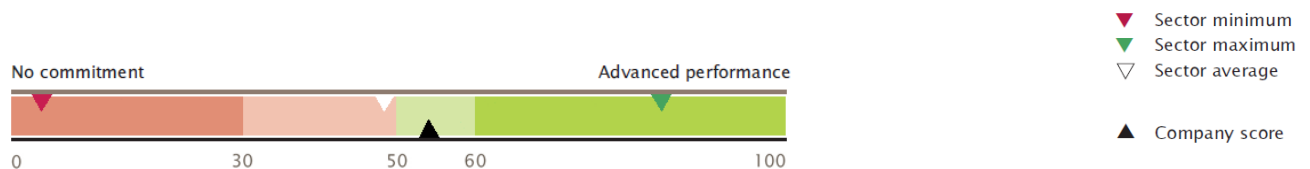
The company publishes significant CSR reporting on key material issues, with an independent third party assessment on the reliability of key performance indicators, with reasonable level of the assurance.

Stakeholders' feedback

As of 12/2017, Grupo Argos did not appear to be involved in any controversy related to this sustainability driver.

CGV3.1 Shareholders

(score: 54, weight: 2)



Nonexistence of voting rights restrictions

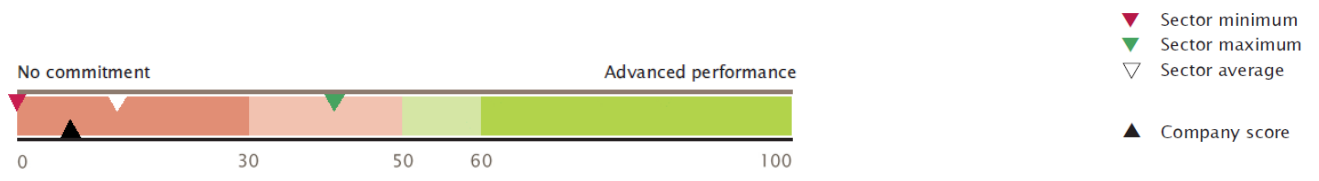
The company respects the "one share - one vote" principle.

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Nonexistence of anti-takeover devices	Anti-takeover devices have been identified. <i>The company has a staggered board.</i>
Safeguards on transactions with major shareholder(s)	More than half of the board is independent. However, there are no additional safeguards in place to monitor transactions between the company and its major shareholder(s).
Ability to add items to the agenda of the AGM and to convene an EGM	No major restrictions have been identified.
Access to voting at General Meetings	There are no major restrictions on shareholders' ability to vote, however there is no possibility of voting through online services.
Ability to vote on relevant issues in separate resolutions at AGM	All major items are voted upon in separate resolutions, in accordance with standards advocated by Vigeo.
Presentation of CSR strategy to shareholders and investors	Information disclosed from the entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient. <input type="checkbox"/> <i>Climate change</i> <input type="checkbox"/> <i>Human capital</i>
Stakeholders' feedback	<i>As of 12/2017, Grupo Argos did not appear to be involved in any controversy related to this sustainability driver.</i>

CGV4.1 Executive Remuneration

(score: 7, weight: 2)



[LISTED COMPANIES] Existence and independence of Remuneration Committee	A specific committee is in place, but at least one executive is part of it, which might raise concerns. <i>Two of the 4-member Nomination and Remuneration Committee is considered independent. Of note, the Company's Administrative and Human Resources Vice President is part of the Committee apart from the Board members.</i>
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Disclosure of senior executives' individual remuneration	Disclosure of individual executive remuneration data for senior executives is insufficient. <i>Executive salaries are not disclosed.</i>
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Link between Short Term Incentive Plans and the performance of the company

There is no disclosure on what rules guide the company in allocating bonuses and other short-term incentives to senior executives.

Link between the main Long Term Incentive Plan and the performance of the company

Information on the rules and performance conditions guiding the allocation of long-term incentives to senior executives is insufficient.

Link between variable remuneration and CSR performance of the company

There is no disclosure on the links between variable remuneration of executive and the CSR performance of the company.

- Human resources development*
- Health and safety*
- Compliance related to environmental regulations*
- Efficient resource utilization*

Severance pay for senior executives

Information obtained from company and public sources regarding severance pay for senior executives is insufficient.

Evolution of CEO-to-employee compensation ratio

Information obtained from company and public sources regarding the compensation of CEO and the average employee salary is insufficient.
CEO compensation is not disclosed.

Stakeholders' feedback

As of 12/2017, Grupo Argos did not appear to be involved in any controversy related to this sustainability driver.

Contacts

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